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ABSTRACT

This guide to paying for college is written for families that expect to pay most, if not all, of the costs of college out of savings, investments, gifts, inheritances, borrowed funds, or a combination. It outlines usual approaches but also indicates some unorthodox methods. Chapters cover the following topics: (1) planning for college expenses; (2) saving; (3) savings instruments (financial instruments; savings accounts; NOW accounts, money-market deposits; certificates of deposit, money-market funds, savings bonds, treasury bills, notes, and bonds; government securities; mortgage-backed securities; zero-coupon bonds; municipal bonds, corporate bonds, common stocks, insurance); (4) gifts (inheritances, gifts under the Uniform Gifts to Minors Act, and "borrowback"); (5) taxes and income shifting; (6) trusts and loans (minors' trusts, Clifford trusts, Crummey trusts, and charitable-remainder trusts); (7) business and college costs (hiring children, educational fringe benefits, children as partners, corporations, business gifts and leasebacks, borrowing from retirement plans); (8) borrowing (pay-as-you-go, lines of credit, home equity loans, margin accounts, Higher Education Amendments of 1992, college loan and tuition programs); and (9) tailoring financial strategies to personal circumstances (profiles of six types of families). Appendixes contain 1994 tax rate schedules, gift tax table, income tax rate for trusts, interest rates and yields, and worksheets and tables. Includes a glossary and an index. (JB)

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